SIGAR

Special Inspector General for Afghanistan Reconstruction

SIGAR 21-39 Financial Audit

USAID's Strengthening Civic Engagement in Elections in Afghanistan Program: Audit of Costs Incurred by the Consortium for Elections and Political Process Strengthening

JUNE 2021

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On August 8, 2018, the U.S. Agency for International Development (USAID) awarded a $14 million cooperative agreement to the Consortium for Elections and Political Process Strengthening (CEPPS) to support the Strengthening Civic Engagement in Elections in Afghanistan program. The program's objective is to promote the integrity of Afghan elections by improving the understanding and application of international standards, and by enhancing coordination and engagement among Afghan civil society organizations and election management entities. The period of performance for the agreement was from August 9, 2018, through August 8, 2021. After four modifications, the agreement's total funding increased to $18,253,000, but its period of performance was unchanged.

SIGAR's financial audit, performed by Crowe LLP (Crowe), reviewed $5,190,993 in total revenue and incurred costs charged to the agreement from October 1, 2019, through September 30, 2020. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in CEPPS's internal controls related to the agreement; (2) identify and report on instances of material noncompliance with the terms of the agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether CEPPS has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of CEPPS's Special Purpose Financial Statement (SPFS). See Crowe's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, auditing standards require SIGAR to review the work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. Our review disclosed no instances wherein Crowe did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

June 2021

USAID's Strengthening Civic Engagement in Elections in Afghanistan Program: Audit of Costs Incurred by the Consortium for Elections and Political Process Strengthening

SIGAR 21-39-FA

WHAT SIGAR FOUND

Crowe identified two material weaknesses and two significant deficiencies in CEPPS's internal controls, and two instances of noncompliance with the terms of the agreement. Specifically, one implementer to which CEPPS issued a sub-award improperly charged expenses to an account used for indirect cost calculations. This resulted in an overcharge to the government of $65,830. Also, CEPPS overcharged the government $1,481 in indirect costs. CEPPS corrected both errors during the course of the audit by reducing the costs recorded in the federal financial report it submitted to USAID.

Because of the aforementioned issues, Crowe identified $67,311 in total questioned costs, consisting of $67,311 in ineligible costs—costs prohibited by the agreement and applicable laws and regulations. However, SIGAR is not recommending that the responsible Agreement Officer consider disallowing the $67,311 questioned in Crowe's report because CEPPS has already made appropriate adjustments with USAID.

Crowe identified seven prior audit, review, or assessment reports that were relevant to CEPPS's agreement. However, Crowe determined that no findings were significant to the audit objectives and, therefore, no follow-up action was required.

Crowe issued an unmodified opinion on CEPPS's SPFS, noting that it presents fairly, in all material respects, revenues received and costs incurred for the period audited.

WHAT SIGAR RECOMMENDS

Based on the results of the audit, SIGAR recommends that the responsible agreement officer at USAID:

1. Advise CEPPS to address the report's four internal control findings.
2. Advise CEPPS to address the report's two noncompliance findings.

SIGAR | Office of the Special Inspector General for Afghanistan Reconstruction

June 11, 2021

The Honorable Samantha Power
Administrator, U.S. Agency for International Development

Dr. Tina Dooley-Jones
USAID Mission Director for Afghanistan

We contracted with Crowe LLP (Crowe) to audit the costs incurred by the Consortium for Elections and Political Process Strengthening (CEPPS) under a cooperative agreement from the U.S. Agency for International Development (USAID) to support the Strengthening Civic Engagement in Elections in Afghanistan program.[1] The program's objective is to promote the integrity of Afghanistan's elections, and ensure that they remain a sustainable vehicle to peacefully and democratically choose leaders. Crowe reviewed $5,190,993 in costs charged to the cooperative agreement from October 1, 2019, through September 30, 2020. Our contract with Crowe required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Based on the results of the audit, SIGAR recommends that the responsible agreement officer at USAID:

1. **Advise CEPPS to address the report's four internal control findings.**
2. **Advise CEPPS to address the report's two noncompliance findings.**

Crowe discusses the results of the audit in detail in the attached report. We reviewed Crowe's report and related documentation. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on CEPPS's Special Purpose Financial Statement. We also express no opinion on the effectiveness of CEPPS's internal control or compliance with the agreement, laws, and regulations. Crowe is responsible for the attached auditor's report and the conclusions expressed in it. However, our review disclosed no instances in which Crowe did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

Please provide documentation related to corrective actions taken and/or target dates for completion for the recommendations to sigar.pentagon.audits.mbx.recommendation-followup@mail.mil, within 60 days from the issue date of this report.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-203)

[1] The cooperative agreement number is 72030618LA00004.

Consortium for Elections and Political Process Strengthening (CEPPS)

Strengthening Civic Engagement in Elections in Afghanistan (SCEEA) Program

Cooperative Agreement No. 72030618LA00004

Special Purpose Financial Statement

For the Period October 1, 2019 through September 30, 2020

(With Independent Auditor’s Report Thereon)

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TRANSMITTAL LETTER

May 3, 2021

To the Members of the Consortium for Elections and Political Process Strengthening
Anthony Banbury
President and CEO, International Foundation for Electoral Systems
2011 Crystal Drive, 10th floor
Arlington, Virginia 22202

Dr. Daniel Twining
President, International Republican Institute
1225 I ST NW
Washington, D.C. 20005

Ambassador Derek Mitchell
President, National Democratic Institute for International Affairs
455 Massachusetts Ave., NW, 8th Floor
Washington, D.C. 20001

To the Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

We appreciate the opportunity to provide to you our report regarding the procedures that we have completed during the course of our audit of the Special Purpose Financial Statement applicable to the Consortium for Elections and Political Process Strengthening's ("CEPPS") United States Agency for International Development ("USAID") Cooperative Agreement No. 72030618LA00004 funding the Strengthening Civic Engagement in Elections in Afghanistan program for the period October 1, 2019, through September 30, 2020.

Within the pages that follow we have provided a brief summary of the work performed. Following the summary, we have incorporated our report on the Special Purpose Financial Statement, our report on internal control, and our report on compliance. We do not express an opinion on the summary or any information preceding our reports.

When preparing our report, we considered comments, feedback, and interpretations of CEPPS, USAID, and the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR"), provided both in writing and orally throughout the audit planning and fieldwork phases. Management's final written responses to the audit findings have been incorporated into this report as appendix A.

Thank you for providing us the opportunity to work with you and to conduct the financial audit of CEPPS's cooperative agreement.

Sincerely,

John C. Weber

John C. Weber, CPA, Partner
Crowe LLP

Summary and Background

The Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") engaged Crowe LLP ("Crowe" or "we" or "our") to conduct a financial audit of Cooperative Agreement No. 72030618LA00004 for the period October 1, 2019, through September 30, 2020. The United States Agency for International Development ("USAID") awarded the cooperative agreement to Consortium for Elections and Political Process Strengthening ("CEPPS"). Members of the consortium include: The International Foundation for Electoral Systems ("IFES"), the International Republican Institute ("IRI"), and the National Democratic Institute for International Affairs ("NDI"). Based on email correspondence with the Agreement Officer, IFES, IRI, and NDI are considered subrecipients of CEPPS. The cooperative agreement funded the Strengthening Civic Engagement in Elections in Afghanistan program. The project aimed to promote the integrity of Elections in Afghanistan to ensure that elections remained a sustainable vehicle to peacefully and democratically choose leaders in Afghanistan. Specifically, the project aimed to 1) improve the understanding and application of international standards for monitoring of elections among domestic observers, 2) enhance coordination among Afghan civil society organizations on election, and 3) improve the engagement of CSO's and candidate agents with election management bodies.

The total estimated amount of this cooperative agreement was $18,253,000 with a period of performance date effective August 9, 2018, through August 8, 2021.

The modifications are summarized below:

Modification No.	Highlights
01	• Provide incremental funding of $4,500,000, increasing the total obligated amount from $5,500,000 to $10,000,000 • Transfer the Cognizant Agreement Officer from Mr. Adam Walsh to Ms. Emily Rudge Revis • Incorporate the new Agreement Officer's name into this Award
02	• Increase the Total estimated Amount by $4,253,000 from $14,000,000 to $18,253,000 • Provide incremental funding of $3,000,000, increasing the total obligated amount from $10,000,000 to $13,000,000 • Transfer the cognizant Agreement Officer from Emily Rudge Revis to Diego Marquez • Change the Agreement Officer Representative's name to Scott Kearin • Revise the Award Budget • Revise the Program Description • Incorporate SCEEA specific branding and Marking Plan into the Award.
03	• Provide incremental funding of $3,000,000, increasing the total obligated amount from $13,000,000 to $16,000,000
04	• Provide incremental funding in the amount of $2,253,000, fully funding the agreement until its completion date.

The audit's scope included activity within the period October 1, 2019, through September 30, 2020. Within the period under audit, CEPPS reported $5,190,993 in total revenue and incurred costs.

(Continued)

Work Performed

Crowe LLP ("Crowe") was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") to conduct a financial audit of CEPPS's project.

Objectives Defined by SIGAR

The following objectives were defined by SIGAR:

Audit Objective 1 – *Special Purpose Financial Statement*
Express an opinion on whether the Special Purpose Financial Statement ("SPFS") for the cooperative agreement presents fairly, in all material respects, revenues earned, costs incurred, items directly procured by the U.S. Government, and balance for the period audited in conformity with the terms of the cooperative agreement and generally accepted accounting principles or other comprehensive basis of accounting.

Audit Objective 2 – *Internal Controls*
Evaluate and obtain a sufficient understanding of the auditee's internal controls related to the USAID-funded program, assess control risk, and identify reportable conditions, including material internal control weaknesses.

Audit Objective 3 – *Compliance*
Perform tests to determine whether CEPPS complied, in all material respects, with award terms and applicable laws and regulations governing USAID-funded programs.

Audit Objective 4 – *Corrective Action on Prior Findings and Recommendations*
Determine and report on whether CEPPS has taken adequate corrective action on prior audit report recommendations, if applicable.

Scope

The scope of the audit included the period October 1, 2019, through September 30, 2020. The audit was limited to those matters and procedures pertinent to the cooperative agreement that have a direct and material effect on the SPFS. The audit also included an evaluation of the presentation, content, and underlying records of the SPFS. Further, the audit included reviewing the financial records that support the SPFS to determine if there were material misstatements and if the SPFS was presented in the format required by SIGAR. In addition, the following areas were determined to be direct and material and, as a result, were included within the audit program for detailed evaluation:

- Allowable Costs and Activities;
- Cash Management;
- Procurement;
- Reporting, and
- Subrecipient Monitoring.

Methodology

To meet the aforementioned objectives, Crowe completed a series of tests and procedures to audit the SPFS, tested compliance and considered the auditee's internal controls over compliance and financial reporting and determined if adequate corrective action was taken in response to prior audit, assessment, and review comments, as applicable.

(Continued)

For purposes of meeting Audit Objective 1 pertaining to the SPFS, transactions were selected from the financial records underlying the SPFS and were tested to determine if the transactions were recorded in accordance with the terms and conditions of the cooperative agreement and the basis of accounting described in Note 2 of the SPFS; were incurred within the period covered by the SPFS and in alignment with specified cutoff dates; were appropriately allocated to the cooperative agreement if the cost benefited multiple objectives; and were adequately supported.

With regard to Audit Objective 2 regarding internal control, Crowe requested, and the auditee provided copies of policies and procedures to provide Crowe with an understanding of the system of internal control established by CEPPS during the period of performance. In addition, Crowe requested and obtained copies of policies and procedures from NDI, IRI, and IFES due to the volume of program costs having been incurred by the partners. To the extent documented policies and procedures were unavailable, Crowe conducted interviews with management to obtain an understanding of the processes that were in place during the period of performance. The system of internal control is intended to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations. Crowe corroborated internal controls identified by the auditee and conducted testing of select key controls to understand if they were implemented as designed.

Audit Objective 3 required that tests be performed to obtain an understanding of the auditee's compliance with requirements applicable to the cooperative agreement. Crowe identified – through review and evaluation of the cooperative agreement issued by USAID to CEPPS – the criteria against which to test the SPFS and supporting financial records and documentation. Using various sampling techniques, including, but not limited to, audit sampling guidance for compliance audits provided by the American Institute of Certified Public Accountants, Crowe selected transactions, cash drawdowns submitted to USAID, procurements, subawards, and reports for testing. Supporting documentation was provided by the auditee and subsequently evaluated to assess CEPPS's compliance. Testing of indirect costs was limited to determining whether indirect costs were calculated and charged to the U.S. Government in accordance with the Negotiated Indirect Cost Rate Agreement issued by the Office of Acquisition and assistance within USAID.

Regarding Audit Objective 4, Crowe inquired of CEPPS, SIGAR, and USAID personnel participating in the audit entrance conference to understand whether there were prior audits, reviews, or assessments that were pertinent to the audit scope. Crowe also conducted an independent search of publicly available information to identify audit and review reports. As a result of the aforementioned efforts, we identified seven (7) prior audit reports. The reports follow:

- Consortium for Elections and Political Process Strengthening's *Financial and Compliance Report, September 30, 2018*;
- International Foundation for Electoral Systems's *Uniform Guidance Supplementary Financial Report, Year Ended September 30, 2018*;
- International Republican Institute's *Uniform Guidance Supplementary Financial Report, Year Ended September 30,2018*;
- National Democratic Institute for International Affairs's *Financial Statements, Supplemental Information, Schedule of expenditures of Federal Awards, and Independent Auditor's Reports Required by Government Auditing Standards and the Uniform Guidance for the years ended September 30, 2018 and 2017*;
- *Financial audit of Costs Incurred in Afghanistan of the USAID Resources Managed by the Consortium for Elections and Political Process Strengthening (CEPPS) under USAID's Strengthening Civic Engagement in Elections in Afghanistan (SCEEA) Program Cooperative Agreement No. 72030618LA00004*;

(Continued)

- SIGAR 15-61 Financial Audit (F-045), *USAID's Increased Electoral Participation in Afghanistan Program: Audit of Costs Incurred by the Consortium for Elections and Political Process Strengthening*; and

- SIGAR 15-89 Financial Audit (F-053), *USAID's Sub-national Governance Structures Program in Regional Commands East and South: Audit of Costs Incurred by the Consortium for Elections and Political Process Strengthening*.

Summary of Results

Upon completion of Crowe's procedures, Crowe identified four (4) findings that met one or more of the following criteria: (1) significant deficiencies in internal control; (2) material weaknesses in internal control; (3) noncompliance with rules, laws, regulations, or the terms and conditions of the cooperative agreement; and/or (4) questioned costs resulting from identified instances of noncompliance. Other matters identified during the audit that do not meet one or more of the aforementioned criteria were reported to CEPPS via a letter written to management.

Crowe issued an unmodified opinion on the SPFS, noting the SPFS presents fairly, in all material respects, revenues earned, costs incurred, and balance for the period audited.

Crowe also reported on both CEPPS's internal controls over financial reporting and compliance with the applicable laws, rules, regulations, and the terms and conditions of the cooperative agreement. Two material weaknesses in internal control were identified and are reported as findings 2020-01 and 2020-02. Two significant deficiencies in internal control were also identified and are reported as findings 2020-03 and 2020-04.

In response to the identified instances of noncompliance, Crowe reported $67,311 in questioned costs. SIGAR requires questioned costs be classified as either "ineligible" or "unsupported." SIGAR defines ineligible costs as those that are explicitly questioned because they are unreasonable, prohibited by the audited cooperative or applicable laws and regulations, or that are unrelated to the award. Unsupported costs are those that are not supported with adequate documentation or did not have the required prior approvals or authorizations. The following table is intended to present an overview of the audit results and is not intended to be a representation of the audit results in their entirety. The summary includes questioned costs reported by Crowe, which are classified as ineligible.

Crowe also requested copies of prior audits, reviews, and evaluations pertinent to CEPPS's financial performance under the cooperative agreement. Based on Crowe's communications with CEPPS, SIGAR, and USAID, there were seven such previous reports issued. Crowe reviewed the reports and identified no findings that were direct and material to the cooperative agreement under audit. Additional details are provided in **Section II: Summary Schedule of Prior Audit, Review, and Assessment Findings.**

(Continued)

Schedule of Findings and Questioned Costs

Finding No.	Finding Name	Classification	Questioned Costs (USD)
2020-01	Material Omissions on Federal Financial Reports	Material Weakness	$0
2020-02	Subawards Missing Required Data Elements	Material Weakness and Noncompliance	$0
2020-03	Misstatements on the Special Purpose Financial Statement (SPFS) Provided for Audit	Significant Deficiency and Noncompliance	$67,311
2020-04	Inadequate Monitoring of the De Minimis Indirect Cost Rate	Significant Deficiency	$0
Total Questioned Costs:			**$67,311**

Summary of Management Comments

Management provided responses to each finding in the draft audit report. A summary of management's comments follows:

1. Finding 2020-01: Management disagreed that its reporting $0 in the federal share of unliquidated obligations was incorrect due to CEPPS's having a different interpretation of the definition of unliquidated obligations and management's assumption that the federal share of unliquidated obligations would always equal the full amount obligated to CEPPS.
2. Finding 2020-02: CEPPS partially agreed with the finding due to its belief that CFDA Number and Name are only required at the time of disbursements to subrecipients and not in subaward agreements themselves and because the prime award is included by reference in each subaward. CEPPS also disagreed with the material weakness classification of the finding.
3. Finding 2020-03: Management did not disagree with any facts within the finding, but noted its subrecipient, NDI, identified the overcharge to the federal award during its year-end reconciliation process and because CEPPS relies on its partners' internal controls to identify financial reporting issues.
4. Finding 2020-04: Management did not disagree with the finding and noted it believes current monitoring procedures are adequate due to the November 2020 changes to the Uniform Guidance.

References to Appendices

The auditor's reports are supplemented by three appendices: **Appendix A**, which contains management's responses to the audit findings; **Appendix B**, which contains the auditor's rebuttal; and **Appendix C**, which contains an unaudited budget to actual summary for each partner organization.

INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENT

To the Members of the Consortium for Elections and Political Process Strengthening
Anthony Banbury
President and CEO, International Foundation for Electoral Systems
2011 Crystal Drive, 10th floor
Arlington, Virginia 22202

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Ambassador Derek Mitchell
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To the Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

Report on the Special Purpose Financial Statement

We have audited the Special Purpose Financial Statement (the "Statement") of the Consortium for Elections and Political Process Strengthening ("CEPPS"), and related notes to the Statement, with respect to United States Agency for International Development ("USAID") Cooperative Agreement No. 72030618LA00004 funding the Strengthening Civic Engagement in Elections in Afghanistan program for the period October 1, 2019 to September 30, 2020.

Management's Responsibility for the Special Purpose Financial Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and the terms and conditions of Cooperative Agreement No. 72030618LA00004. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement.

(Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Statement referred to above pertaining to Cooperative Agreement No. 72030618LA00004 presents fairly, in all material respects, the revenues earned, costs incurred, and balance for the indicated period in accordance with the basis of presentation and accounting described in Notes 1, 2, 4, 5, and 6.

Basis of Presentation and Accounting

We draw attention to Notes 1, 2, 4, 5, and 6 to the Statement, which describe the basis of presentation and accounting. The Statement is prepared in a format required by SIGAR and presents those amounts as permitted under the terms of USAID Cooperative Agreement No. 72030618LA00004, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the cooperative agreement referred to above. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended for the information of CEPPS, USAID, and SIGAR. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated April 23, 2021, on our consideration of CEPPS's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, cooperative agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CEPPS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CEPPS's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Washington, D.C.
April 23, 2021

	Budget	Actual	Questioned Costs: Ineligible	Questioned Costs: Unsupported	Notes
Revenues					
Cooperative Agreement No. 72030618LA00004	$ 18,253,000	$ 5,190,993			2, 4
Total Revenue	18,253,000	5,190,993			
Costs Incurred					5
Personnel	3,608,302	1,331,435			
Fringe Benefits	546,154	296,660			
Travel	653,888	193,270			
Equipment	28,000	-			
Supplies	300,509	26,026			
Contractual	2,209,369	971,180			
Other Direct Costs	4,753,249	1,108,908			
Security	2,534,958	170,398			
Partner Indirect Costs	3,224,165	978,889	$ 65,830		A
CEPPS Indirect Costs	394,406	114,227	1,481		A
Total Costs Incurred	18,253,000	5,190,993			
Balance	$ -	$ -	$ 67,311		6

The accompanying notes to the Special Purpose Financial Statement are an integral part of this Statement.

Note 1. Description of Organization and Basis of Presentation

The Consortium for Elections and Political Process Strengthening ("CEPPS") was established in 1995 through a duly executed joint venture agreement among the International Foundation for Electoral Systems ("IFES"), the International Republican Institute ("IRI") and the National Democratic Institute for International Affairs ("NDI") for the purpose of applying for federal and non-federal funds to conduct democracy and governance programming. Therefore, the IFES, IRI, and NDI are considered related parties of CEPPS.

CEPPS is registered as a 501(c) organization and files a 990-tax return with the Internal Revenue Service. The entity has a Data Universal Numbering System ("DUNS") number, Letter of Credit and Indirect Cost Rate (all separate from those of the individual partner organizations), and CEPPS is registered in the U.S Agency for International Development ("USAID") Central Contracting Registry as a Recipient of United States Government ("USG") funds. CEPPS has standing sub-agreements in place with the individual partner organizations assigned to implement activities under any given award. Drawdown requests from the individual partner organizations are made to the CEPPS accountant, who is funded through the CEPPS Negotiated Indirect Cost Rate Agreement ("NICRA"). Drawdown requests for funds are then submitted to USAID by CEPPS accounting staff, and funds are provided to CEPPS through the entity's established Letter of Credit. The funds flow directly from USAID to CEPPS, after which CEPPS provides the funds to the individual partner organizations.

The accompanying Special Purpose Financial Statement (the "Statement") includes costs incurred under Cooperative Agreement Number 72030618LA00004 for the Strengthening Civic Engagement in Elections in Afghanistan ("SCEEA") program for the period October 1, 2019 through September 30, 2020. Because the Statement presents only a selected portion of the operations of CEPPS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CEPPS. The information in this Statement is presented in accordance with the requirements specified by the Office of the Special Inspector General for Afghanistan Reconstruction ("SIGAR") and is specific to the aforementioned Federal cooperative agreement. Therefore, some amounts presented in this Statement may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Basis of Accounting

Revenues and expenditures on the Statement are reported on the modified cash basis of accounting. Expenditures are recognized following the cost principles contained within Subpart E to 2 CFR Part 200, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Foreign Currency Translation Method

The operational currencies in Afghanistan are the Afghani and the United States Dollar ("USD"). The presentation currency is the USD. Currency translations have been done on the following basis:

- USD expenditures are recorded in U.S. dollars.
- For partners with an office in Afghanistan, Afghani expenditures are converted to U.S. Dollars using the monthly weighted average exchange rate of actual currency conversions during each period. For partners without a field office, the exchange rate is documented using the bank rate, oanda.com, or the currency exchange receipt.

(Continued)

Note 4. Revenues

Revenues on the Statement are recognized when earned, based on allowable, eligible costs incurred under the cooperative agreement during the period of performance.

Note 5. Budget

The budget categories presented and associated amounts reflect the budget line items presented within the final, approved award budget adopted as a component of Modification #2 to the cooperative agreement dated August 15, 2019. The budget reflects the approved budget for the cooperative agreement's full period of performance.

Note 6. Balance

The balance presented on the Statement represents the difference between revenues earned and costs incurred such that an amount greater than $0 would reflect that revenues have been earned that exceed the costs incurred or charged to the cooperative agreement and an amount less than $0 would indicate that costs have been incurred, but are pending additional evaluation before a final determination of allowability and amount of revenue earned may be made.

Note 7. Currency

All amounts presented are shown in U.S. dollars.

Note 8. Subrecipients

As of September 30, 2020, IRI issued two subawards to local partners. The Welfare Association for the Development of Afghanistan ("WADAN"), to educate and train local leaders, religious scholars, and youth on election observation standards and best practices, and improve their knowledge of Afghan electoral laws. IRI disbursed $243,117 to WADAN during the period October 1, 2019 to September 30, 2020. IRI also issued a subaward to Organization for Policy Research and Development Studies ("DROPS") to conduct Get Out the Vote trainings in at-risk communities. During the period IRI paid DROPS $7,790. Total payments to subrecipients for the period equal $250,907.

As of September 30, 2020, IFES issued four subawards to three organizations under the program: Pajhwok Afghan News for public awareness initiatives on the tactics and impact of hate speech and disinformation in election; Afghan Women's Network ("AWN") to conduct assessment on violence against women in elections ahead of the parliamentary elections; and Afghan Landmine Survivors Organization ("ALSO") to conduct an election accessibility observation mission to determine election accessibility of Afghanistan's polling station. During the period ending September 30, 2020, IFES disbursed as follows:

Pajhwak Afghan News	$ 43,581
Afghan Women's Network (AWN)	104,980
Afghan Landmine Survivors Organization (ALSO)	16,096
Total	$ 164,657

(Continued)

As of September 30, 2020, NDI awarded cooperative agreements to nine organizations (Subgrantees) under the program, of which the following six had activity during the period of this audit: Afghan Civil Society Forum Organization ("ACSFo"), Afghan Amputee Bicyclists for Rehabilitation And Recreation ("AABRAR"), Training Human Rights Association for Afghan Women ("THRA"), Internews Network, Afghanistan Rehabilitation and Women Education Organization ("ARWEO"), and Social Capacity Development Welfare Organization ("SCWO"). The total disbursed funds, net of refunds, to the subrecipients by the Program for the year ended September 30, 2020 have been included in the accompanying Special Purpose Financial Statement in the Contractual line item as follows:

Afghan Civil Society Forum	$263,929
Afghanistan Amputee Bicyclists for Rehabilitation and Recreation	69,699
Training Human Rights Association	34,263
Internews Network	400,799
Afghanistan Rehabilitation and Women Education Organization	41,316
Social Capacity Development Welfare Organization	61,896
Total	**$871,902**

Note 9. Program Status

The SCEEA program remains active. The period of performance for the award is scheduled to conclude on August 8, 2021.

Note 10. Reconciliation of Cumulative Draw Amounts to Total Costs Incurred (Unaudited)

Funds available represents the difference between CEPPS's funds drawn down from USAID and costs incurred, including applicable indirect cost burdens.

Negative funds available as of September 30, 2019:	$(1,386,837)
Drawdowns from October 1, 2019 to September 30, 2020:	6,493,175
Costs incurred from October 1, 2019 to September 30, 2020:	5,190,993
Funds Available as of September 30, 2020:	$ (84,655)

Note 11. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to the October 1, 2019, through September 30, 2020, the period covered by the Statement. Management has performed their analysis through April 23, 2021.

A. Finding 2020-03 questioned $67,311 due to CEPPS having charged subawards to an internal account that was included in the modified total direct cost base, which resulted in CEPPS overcharging indirect costs.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Members of the Consortium for Elections and Political Process Strengthening
Anthony Banbury
President and CEO, International Foundation for Electoral Systems
2011 Crystal Drive, 10th floor
Arlington VA 22202

Dr. Daniel Twining
President, International Republican Institute
1225 I ST NW
Washington DC 20005

Ambassador Derek Mitchell
President, National Democratic Institute for International Affairs
455 Massachusetts Ave., NW, 8th Floor
Washington DC 20001

To the Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement ("the Statement") of the Consortium for Elections and Political Process Strengthening ("CEPPS"), and related notes to the Statement, with respect to the Strengthening Civic Engagement in Elections in Afghanistan ("SCEEA") Program funded by the United States Agency for International Development ("USAID") Cooperative Agreement No. 72030618LA00004 for the period October 1, 2019 through September 30, 2020. We have issued our report thereon dated April 23, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the Statement, we considered CEPPS's internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement, but not for the purpose of expressing an opinion on the effectiveness of CEPPS's internal control. Accordingly, we do not express an opinion on the effectiveness of CEPPS's internal control.

CEPPS's management is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the cooperative agreement; and transactions are recorded properly to permit the preparation of the Statement in conformity with the basis of accounting and

(Continued)

presentation described in Notes 1, 2, 4, 5, and 6 to the Statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2020-01 and 2020-02 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies noted as Findings 2020-03 and 2020-04 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

In addition, we identified certain matters that we reported to management via our letter dated April 23, 2021.

CEPPS's Response to the Findings

CEPPS's response to the findings identified in our audit is described in Appendix A to our report. CEPPS's response to the findings was not subjected to the auditing procedures applied in the audit of the Statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended for the information of CEPPS, SIGAR, and USAID. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Crowe LLP

Crowe LLP

Washington, D.C.
April 23, 2021

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the Members of the Consortium for Elections and Political Process Strengthening
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2530 Crystal Drive
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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement ("the Statement") of the Consortium for Elections and Political Process Strengthening ("CEPPS"), and related notes to the Statement, with respect to the Strengthening Civic Engagement in Elections in Afghanistan ("SCEEA") Program funded by United States Agency for International Development ("USAID") Cooperative Agreement No. 72030618LA00004 for the period October 1, 2019 through September 30, 2020. We have issued our report thereon dated April 23, 2021.

Management's Responsibility for Compliance

Compliance with Federal rules, laws, regulations, and the terms and conditions applicable to the cooperative agreement is the responsibility of the management of CEPPS.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CEPPS's Financial Statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2020-02 and 2020-03.

(Continued)

CEPPS's Response to the Findings

CEPPS's response to the findings identified in our audit is described in Appendix A to our report. CEPPS's response to the findings was not subjected to the auditing procedures applied in the audit of the Statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended for the information of CEPPS, SIGAR, and USAID. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public.

Crowe LLP

Crowe LLP

Washington, D.C.
April 23, 2021

Finding 2020-01: Material Omissions on Federal Financial Reports

Material Weakness in Internal Control

Condition: Crowe selected two (2) of four (4) Federal Financial Reports ("FFRs") required to be submitted to USAID/Afghanistan during the audit period for testing. During our testing, we noted that CEPPS reported $0 in unliquidated obligations on both reports. However, each subrecipient to CEPPS had an unexpended balance on its subaward, which represents unliquidated obligations on the accrual basis of accounting. CEPPS indicated on its FFRs that it completes the reports on the accrual basis. See table below:

Subrecipient	Unexpended Balance (as of 12/31/19)	Unexpended Balance (as of 6/30/20)
NDI	$4,915,319	$3,302,898
IRI	$877,253	$502,680
IFES	$694,099	$339,019

As a result, Crowe concluded the FFRs are materially misstated.

Criteria: Pursuant to 2 CFR Part 200.302(b), *Financial management,* financial management systems of the non-Federal entity shall provide for the following:
"… (2) Accurate, current and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance…"
(3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation…"

Pursuant to 2 CFR Part 200.97, *Unliquidated Obligations,* "Unliquidated obligations means, for financial reports prepared on a cash basis, obligations incurred by the non-Federal entity that have not been paid (liquidated). For reports prepared on an accrual expenditure basis, these are obligations incurred by the non-Federal entity for which an expenditure has not been recorded."

Per CEPPS Reporting procedures regarding review and approval of FFRs, "The CEPPS Grant Accountant prepares all CEPPS joint financial reports to be submitted. Each financial report is prepared quarterly using project status reports for the quarter run directly from the accounting system. The reports are then reviewed and signed by CEPPS Grants Manager (joint report only) and the CEPPS partners (individual partner reports). The reports are then submitted to USAID by the CEPPS Administrative Director or his/her designee. Digital copies of all reports and workpapers are saved on CEPPS' SharePoint site."

Questioned Costs: None

Effect: USAID may rely on incomplete or inaccurate data for purposes of managing the award.

Cause: CEPPS did not have an accurate understanding of unliquidated obligations under the accrual basis thus resulting in an ineffective review and completion of FFRs. In addition, CEPPS and its joint venture partners indicated they were unaware they needed to report unliquidated obligations on the FFR.

Recommendation: We recommend that CEPPS:

1. Provide training to its personnel regarding proper completion of FFRs, including how to report unliquidated obligations, and detection and correction of errors and omissions during the review process; and
2. Begin reporting unliquidated obligations on FFR reports filed for the program.

Finding 2020-02: Subawards Missing Required Data Elements

Material Weakness in Internal Control and Noncompliance

Condition: Crowe selected eight of eighteen subawards active during the audit period for testing. During our testing, we noted five of the eight subawards tested – those issued to Afghan Women's Network ("AWN"), Afghanistan Rehabilitation and Women Education ("ARWEO"), IFES, IRI, and NDI - did not contain all information required by regulation.

Subrecipient	Entity Issuing the Subaward	Missing Information
AWN	IFES	CFDA Number, CFDA Name, Unique Entity Identifier
ARWEO	NDI	Unique Entity Identifier
IFES	CEPPS	Federal funds obligated, Federal funds committed
IRI	CEPPS	Federal funds obligated, Federal funds committed
NDI	CEPPS	Federal funds obligated, Federal funds committed

In addition, Internews Network and ARWEO were subrecipients to NDI. The agreements between NDI and Internews Network and NDI and ARWEO did not explicitly indicate the agreements were subawards. CEPPS and NDI's management officials reviewed and approved each agreement, as applicable. The reviews failed to detect the errors and omissions. Therefore, the reviews appear to have been ineffective or otherwise improperly designed.

Criteria: Pursuant to 2 CFR Part 200.331, *Requirements for pass-through entities,* all pass-through entities must: "(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal award identification.
(i) Subrecipient name (which must match registered name in DUNS);
(ii) Subrecipient's unique entity identifier;
(iii) Federal Award Identification Number (FAIN);
(iv) Federal Award Date (see § 200.39 Federal award date) of award to the recipient by the Federal agency;
(v) Subaward Period of Performance Start and End Date;
(vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
(vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including in the current obligation;
(viii) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
(ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
(x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
(xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
(xii) Identification of whether the award is R&D; and

(xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per § 200.414 Indirect (F&A) costs)."

Pursuant to 2 CFR Part 200.303(a), *Internal Controls,* The non-Federal entity must: "Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

Questioned Costs: None

Effect: Failing to ensure that the required information is included in subawards increases the likelihood of subrecipients not being aware of and not complying with requirements and conditions applicable to them under the federal award.

Cause: The joint venture partners incorrectly assumed the subawards did not require inclusion of all data elements and that naming the agreements "Grants" was sufficient to ensure that subawardees met all applicable federal requirements. The joint venture partners also assumed unique identifiers were only required for those awards required to be reported via FFATA. Procedures designed and implemented by CEPPS and joint venture partners' management officials did not incorporate processes to ensure all required data elements are included in subawards.

Recommendation: We recommend that CEPPS:

1. Provide training regarding subrecipient monitoring requirements to the joint venture partners;
2. Require its joint venture partners to modify active subawards to include all required data elements;
3. Modify its subawards with NDI, IFES, and IRI to include all required data elements;
4. Modify its subrecipient monitoring procedures to include directions regarding subaward requirements and prompt joint venture partners to do the same; and
5. Design, document, and implement procedures to ensure subawards include all required data elements.

Finding 2020-03: Misstatements on the Special Purpose Financial Statement Provided for Audit

Significant Deficiency in Internal Control and Noncompliance

Condition: CEPPS provided Crowe with the Special Purpose Financial Statement ("the Statement") for the program, which is a sum of the actual direct and indirect costs reported from each joint venture partners' general ledger and the indirect costs reported by CEPPS. During our testing of the Statement and review of management's analyses, we noted the following matters:

1. IRI improperly recorded $25,059 in transactions to the Other Direct Costs budgetary account that should have been recorded to the Contractual budgetary account; and
2. NDI improperly charged subaward expenses to an account that was included in the modified total direct cost base used for indirect cost calculations. The result was an overcharge of $65,830 in indirect costs by NDI. Whereas CEPPS applies its indirect cost rate to NDI's recorded costs as well, an additional $1,481 in indirect costs was overcharged by CEPPS. The total amount of $67,311 is questioned.

Each of the two matters noted above were corrected by management during the course of the audit. In addition, CEPPS/NDI has submitted a federal financial report to USAID/Afghanistan documenting the reduced indirect cost expenses.

Criteria: Pursuant to 2 CFR Part 200.403, *Factors affecting allowability of costs*, "Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items..."

Pursuant to Cooperative Agreement No. 72030618LA00004 Section A.10, "Pending establishment of revised provisional or final indirect cost rates, allowable indirect costs shall be reimbursed on the basis of the following negotiated provisional rates and the appropriate bases per each organization's NICRA"

Pursuant to NDI's Negotiated Indirect Cost Rate Agreement ("NICRA") effective October 1, 2019 until amended, the General & Administrative expense base is defined as "Total costs excluding G&A expenses, equipment with a per unit value of $5,000 or greater, capital expenditures, donated services, and that portion of subaward cost in excess of the first $75,000 of each subaward regardless of the period covered by the subaward."

Pursuant to the CEPPS NICRA effective October 1, 2017 until amended, the Overhead base is defined as "Total Direct Costs".

Questioned Costs: $67,311 in ineligible costs

Effect: The award was overcharged by $67,311. An overcharge, when undetected and uncorrected, may inadvertently mislead readers.

Cause: NDI did not detect and correct the misstatement prior to providing financial data to CEPPS for assembly of the SPFS. CEPPS's review of the SPFS did not detect the error.

Recommendation: We recommend that CEPPS:

1. Incorporate an additional step in its financial reporting procedures to include a review of the base of application used by partners prior to submitting financial reports; and
2. Provide documentation showing that the amount of $67,311 was credited to the USAID Letter of Credit for the program.

Finding 2020-04: Inadequate Monitoring of the De Minimis Indirect Cost Rate

Significant Deficiency in Internal Control

Condition: CEPPS issued a subaward to IRI, which in turn issued subawards to two subawardees. IRI disbursed $250,907 to its subawardees during the audit period, including $243,117 to The Welfare Association for the Development of Afghanistan (“WADAN”). During our review of the subaward packet provided for audit, we noted there was a 10 percent indirect cost rate included in WADAN's agreement with IRI. Per inquiry with IRI, the 10 percent amount represented the de minimis indirect cost rate rather than a calculated, negotiated indirect cost rate. At the time of award, IRI inquired of WADAN to ascertain whether WADAN had a current negotiated indirect cost rate agreement ("NICRA"). IRI did not, however, inquire of or otherwise obtain confirmation that WADAN had never held a NICRA - a requirement for eligibility to utilize the de minimis rate. IRI requested and obtained a response from WADAN during the audit stating the entity has never held a NICRA.

In addition, IRI did not have a process in place to monitor or otherwise gain assurance that WADAN is utilizing the de minimis rate consistently across its federal awards. Per discussion with IRI, the IRI relies on Single Audits to understand whether WADAN uses the de minimis rate consistently, as required by the Uniform Guidance. Whereas WADAN is a foreign organization not subject to the Single Audit, which requires presentation of financial statements in accordance with U.S. GAAP, and may not trigger the USAID audit requirement, we determined that reliance on Single Audits for monitoring is insufficient.

Criteria: Pursuant to 2 CFR Part 200.303(a), *Internal controls*, The non-Federal entity must:

> “Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

2 CFR Part 200.414(f), Indirect (F&A) costs, “In addition to the procedures outlined in the appendices in paragraph (e) of this section, any non-Federal entity that has never received a negotiated indirect cost rate, except for those non-Federal entities described in Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals, paragraph D.1.b, may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely…”

As described in §200.403, *Factors affecting allowability of costs*, states: “Except where otherwise authorized by statute, costs much meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indiana tribes only, as otherwise provided for in this part.

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
(g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Questioned Costs: None

Effect: CEPPS's allowable costs are at risk of being overstated due to the potential for IRI's subrecipients to improperly charge indirect costs without IRI's knowledge.

Cause: IRI improperly designed its procedures by not including steps to monitor for consistent use and application of the de minimis indirect cost rate, where applicable, by its subrecipients.

Recommendation: We recommend that CEPPS require IRI to establish a subrecipient monitoring process to assess compliance with de minimis rate requirement.

Crowe reviewed seven prior audit, review, or assessment reports. Three of the reports contained findings and recommendations. We assessed the findings to ascertain whether the matters may be direct and material to the Special Purpose Financial Statement or other financial information significant to the audit objectives. In addition, we reviewed the auditors' comments regarding the status of prior audit findings.

The reports reviewed by Crowe include the following:

- Consortium for Elections and Political Process Strengthening's *Financial and Compliance Report, September 30, 2018*;

- International Foundation for Electoral Systems's *Uniform Guidance Supplementary Financial Report, Year Ended September 30, 2018*;

- International Republican Institute's *Uniform Guidance Supplementary Financial Report, Year Ended September 30,2018*;

- National Democratic Institute for International Affairs's *Financial Statements, Supplemental Information, Schedule of expenditures of Federal Awards, and Independent Auditor's Reports Required by Government Auditing Standards and the Uniform Guidance for the years ended September 30, 2018 and 2017*;

- *Financial audit of Costs Incurred in Afghanistan of the USAID Resources Managed by the Consortium for Elections and Political Process Strengthening (CEPPS) under USAID's Strengthening Civic Engagement in Elections in Afghanistan (SCEEA) Program Cooperative Agreement No. 72030618LA00004*;

- SIGAR 15-61 Financial Audit (F-045), *USAID's Increased Electoral Participation in Afghanistan Program: Audit of Costs Incurred by the Consortium for Elections and Political Process Strengthening*; and

- SIGAR 15-89 Financial Audit (F-053), *USAID's Sub-national Governance Structures Program in Regional Commands East and South: Audit of Costs Incurred by the Consortium for Elections and Political Process Strengthening*.

Per our review of the reports, Crowe identified no findings which could be direct and material to the SPFS or otherwise significant to the audit objectives. Therefore, follow-up on the prior findings was not required.

APPENDIX A – VIEWS OF RESPONSIBLE OFFICIALS

We have included herein the verbatim response provided by CEPPS on April 23, 2021.

Consortium for Elections and Political Process Strengthening (CEPPS)
Strengthening Civic Engagement in Elections in Afghanistan (SCEEA) Program
Cooperative Agreement No. 72030618LA00004
Management Responses to
Crowe LLP's Independent Auditor's Report
For the Period October 1, 2019 – September 30, 2020

FINDING 2020-01: Material Omissions on Federal Financial Reports.
Material Weakness in Internal Control

CEPPS Response:

CEPPS disagrees with this finding. CEPPS maintains that the data provided in the FFR form is accurate and, specifically, that the unliquidated obligations should remain at zero dollars.

CEPPS has a different interpretation of the definition of unliquidated obligation, but even if the CEPPS FFR included its unliquidated obligations to its subgrantees, per the interpretation of the definition by the audit firm, in row 10f, the total federal share in 10g would always equal the full amount obligated to CEPPS from USAID each reporting period since NDI, IRI, and IFES are first-tier subrecipients of CEPPS, and the full obligation is subgranted and obligated to IFES, IRI, and NDI upon receipt of the award. The reports to USAID would not provide meaningful, beneficial information if it were to report the full obligation in every report.

The amounts remaining in obligations to the second-tier subrecipients from the first-tier subrecipients would not factor into the CEPPS-level FFR since the entirety of the obligations to each first-tier subrecipient would be listed.

Regarding the recommendations, as CEPPS does not agree that our reporting is incorrect, CEPPS does not agree that additional training is required and CEPPS does not intend to alter its reporting practices.

FINDING 2020-02: Subawards Missing Required Data Elements
Material Weakness in Internal Control and Noncompliance

CEPPS Response:

CEPPS partially agrees with this finding.

<u>Subrecipient AWN:</u> IFES does not agree that the lack of such information in the subgrant cooperative agreement is a material weakness that impacts IFES's internal controls. The requirement stated in 2 CFR 200.331 (a) (1) (xi) reads: "*CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement,*" CFDA name and number is required at time of disbursement, not in the contract agreement. Additionally, for CFDA name, in 2 CFR 200.331 (a): "*When some of this information is not*

available, the pass-through entity must provide the best information available to describe the Federal award and subaward." With the line mentioned above, IFES provided the best information available to describe the Federal award and subaward. IFES included the DUNS in the pre-award document. However, IFES has updated the subaward template to include the DUNS on June 2019 whereas the AWN agreement was signed six months earlier. Going forward, IFES will utilize the updated subaward template that includes the DUNS as the unique entity identifier.

Subrecipients ARWEO and Internews: NDI does not agree that the lack of such information in the subgrant cooperative agreement is a material weakness that impacts NDI's internal controls. However, NDI will update the subgrant cooperative agreement templates to include additional data elements. First, each subaward will be clearly identified as a "subaward". Second, NDI will also include a unique entity identifier for its sub-awardees if it exists or will include "N/A" in those agreements for which a subawardee does not have a unique entity identifying number.

Subrecipients IFES, IRI and NDI: CEPPS does not agree that this is a material weakness of internal controls nor an issue of non-compliance. Upon an award from USAID to CEPPS, CEPPS issues subawards to IFES, IRI, and/or NDI ("First-tier Subawardees"), as applicable. The Subaward Agreements incorporate a direct reference to the award number of the CEPPS agreement with USAID ("the Agreement") and contains clear language that any modification to the Agreement, including to the award ceiling or the period of performance, is considered a modification to the terms of the Subaward Agreement. The First-tier Subawardees each receive a copy of the Agreement and any modifications to the Agreement. The federal funds committed and the federal funds obligated are included in the Agreement and modifications, and thus incorporated by reference into the Subaward Agreement. Therefore, CEPPS does not agree that it should mention this data more explicitly than the current method of incorporating it by reference.

Regarding the recommendations, the joint venture partners are aware of the requirements and do not need further training. Additionally, NDI does not have any active subawards under this project to modify but will update its templates as specified above to be included in future awards. As noted above, CEPPS and IFES believe all required data elements are already included in their respective subawards and therefore do not intend to modify these templates or change related subrecipient monitoring procedures.

FINDING 2020-03: Misstatements on the Special Purpose Financial Statement Provided for Audit
Significant Deficiency in Internal Control and Noncompliance

CEPPS Response:

NDI inadvertently coded a $220,908 payment to a subrecipient to a GL account to which indirect costs are applied, instead of to the account that excludes the cost from the indirect calculation.

NDI would first like to clarify that the questioned indirect costs of $67,311 has already been removed from amounts presented in the accompanying SPFS. Additionally, NDI caught this error through its normal annual reconciliation process, and the journal entry to correct the error was posted timely for

NDI's FY2020 audited financial statements. However, the timing of this special purpose financial statement audit was such that the general ledger needed to be provided before NDI had completed its annual close, and therefore the initial amounts presented to the auditors contained the error. NDI subsequently brought this item to the attention of the auditors so that the SPFS could be revised accordingly. NDI's internal controls and review processes functioned exactly as designed, identifying and catching the error in time for it to be corrected prior to the annual close. Therefore, NDI does not believe this item should be mentioned as a finding.

In addition, CEPPS clarified in writing during the audit the review process for the SPFS, in which CEPPS does not review the internal accounting systems of each partner. Given that each partner is subject to an annual single audit, CEPPS relies on the partner's internal controls to identify these issues. In fact, it was NDI's standard review process that resulted in the identification and resolution of this transaction. Therefore, CEPPS also does not believe this item should be mentioned as a finding.

Regarding the recommendations, CEPPS and NDI do not agree that an additional step in the financial reporting procedures is necessary. As requested, NDI is providing the journal entry, attached, that shows the transfer of $220,908 from account 1208-030 (1st $75k) to account 1208-070 (>$75k) for the subrecipient payment. NDI's system automatically applies indirect to projects based on total expenditures in the base, and therefore there is no separate journal entry that would specifically show the reduction of indirect in the amount of $67,311. NDI's system applied less indirect costs to the project due to the reduction of $220,908 from the 1208-030 account. The amounts in NDI's financial system serve as the basis for the letter of credit drawdown requests.

FINDING 2020-04: Inadequate Monitoring of the De Minimis Indirect Cost Rate
Significant Deficiency in Internal Control

CEPPS Response:

During the course of the audit, IRI inquired with the Welfare Association for the Development of Afghanistan (WADAN) whether they ever had a NICRA and obtained the indirect rates charged on all other awards during the time of IRI's subaward to WADAN. WADAN confirmed they never had a NICRA and all other awards during the time of IRI's subaward used the de minimis rate. In addition, IRI has asked all current subaward partners to certify whether they ever had a NICRA or other negotiated rate during the period of IRI's subawards. The November 2020 update to the Code of Federal Regulations changed the language to allow the de minimis if the recipient does not have a current NICRA. However, to ensure adequate monitoring of all subawards going forward, IRI has also updated its subawardee allocation certification language in pre-award and post-award templates requiring subawardees to notify IRI if a NICRA is negotiated with any Federal agency or other indirect rate is negotiated for any award funded by the US Government during the period of IRI's subaward.

Regarding the recommendation, with these measures in place, CEPPS and IRI have instituted adequate monitoring of the de minimis indirect cost rate.

APPENDIX B – AUDITOR'S REBUTTAL

Crowe LLP ("Crowe" or "we" or "us") has reviewed the management of the Consortium for Elections and Political Process Strengthening's ("CEPPS" or "the auditee") responses to the draft report audit findings provided to Crowe on April 23, 2021. In consideration of those views, Crowe has included the following rebuttal to certain matters presented by the auditee. Crowe incorporates a rebuttal in those instances where management disagrees with the facts presented within the condition, does not concur with Crowe's recommendation, or provides additional documentation for review. In those instances where management either agrees with the finding or does not disagree with the facts in the finding, as presented, no rebuttal is provided. Understanding this framework, Crowe has included rebuttals to findings 2020-01, 2020-02, and 2020-03; no rebuttal is necessary for finding 2020-04.

Finding 2020-01

CEPPS disagreed with the finding due to management's having a different interpretation of the definition of unliquidated obligations and an incorrect assumption that the federal share of unliquidated obligations would always equal the full amount obligated to CEPPS. Management maintained that the unliquidated obligations amount reported on the Federal Financial Reports (FFRs) should remain at zero dollars.

Crowe notes the following definition of unliquidated obligations within the applicable version of the Uniform Guidance at 2 CFR Part 200.97.

> **§200.97 Unliquidated obligations.**
> *Unliquidated obligations* means, for financial reports prepared on a cash basis, obligations incurred by the non-Federal entity that have not been paid (liquidated). For reports prepared on an accrual expenditure basis, these are obligations incurred by the non-Federal entity for which an expenditure has not been recorded.

2 CFR Part 200.71 defines obligations as follows:

> **§200.71 Obligations.**
> When used in connection with a non-Federal entity's utilization of funds under a Federal award, *obligations* means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period.

The FFR instructions similarly define the federal share of unliquidated obligations as required for reporting on Line 10f of the FFR as follows:

> Unliquidated obligations on a cash basis are obligations incurred, but not yet paid. On an accrual basis, they are obligations incurred, but for which an expenditure has not yet been recorded. Enter the Federal portion of unliquidated obligations. Those obligations include direct and indirect expenses incurred but not yet paid or charged to the award, including amounts due to subrecipients and contractors. On the final report, this line should be zero unless the awarding agency has provided other instructions.

Management's assertion that zero dollars is the accurate value to report as the federal share of unliquidated obligations is inconsistent with the definition of unliquidated obligations due to the following:

1. CEPPS entered into subawards with IFES, NDI, and IRI thus creating obligations;
2. CEPPS's subrecipients (IFES, NDI, and IRI) had unexpended balances of their subawards remaining as of the reporting period end date on each FFR selected for testing;

3. CEPPS certified its FFRs using the accrual basis of accounting; and
4. The definition of unliquidated obligations on the accrual basis includes the unexpended balance of subawards.

Accordingly, the federal share of unliquidated obligations on CEPPS's FFRs submitted during the audit period cannot be zero dollars and the assertion that the FFRs containing zero dollar unliquidated obligation amounts are accurately stated is incorrect.

In addition, management noted that second-tier subrecipients' unexpended balances would not factor into the CEPPS-level FFR. Whereas the condition within Crowe's finding does not refer to second-tier subrecipients, this component of the response was unnecessary and does not require rebuttal.

Given the above, no change to the finding is necessary or appropriate.

<u>Finding 2020-02</u>
CEPPS partially agreed with the finding. Management disagreed with the following matters:

1. Classification of the finding as a material weakness. Crowe notes that both the frequency of the errors, management's perceived lack of awareness of the requirements, and the value of subaward expenditures on the Special Purpose Financial Statement necessitate classification at the material weakness level. The classification remains unchanged.

2. Subrecipient AWN: Management disagreed that inclusion of the CFDA Number and Name were required in the subaward agreement and is only required at the time of disbursement. Management is incorrect. The 2 CFR Part 200.331 indicates that all pass-through entities must "[e]nsure that every subaward is clearly identified to the subrecipient as a subaward and **includes the following information at the time of the subaward**…" [emphasis added by the auditor]

   CEPPS's management's assertion is inconsistent with the requirements presented within the regulation, which requires the inclusion of the CFDA Number and Name within the subaward at the time of the subaward. No change to the finding is necessary or appropriate.

3. Subrecipients IFES, IRI, and NDI: CEPPS disagreed with the finding due to CEPPS having included, by reference, the prime agreement. As noted above, 2 CFR Part 200.331 indicates that all pass-through entities must "[e]nsure that every subaward is clearly identified to the subrecipient as a subaward and **includes the following information at the time of the subaward**…" [emphasis added by the auditor]

   CEPPS's processes, as discussed, are therefore inconsistent with the language in the regulation. No change to the finding is necessary or appropriate.

CEPPS disagreed with the recommendations due to management's assertion that the joint venture partners are aware of the requirements and do not need further training and because certain members believe all required data elements have been included. In consideration of management's response indicating a lack of understanding of the express requirements of 2 CFR Part 200.331 as applicable to the award under audit, the recommendations remain unmodified and both training and modification of awards to ensure compliance is recommended.

<u>Finding 2020-03</u>
Management did not disagree with any facts noted within the audit finding; however, management disagreed that additional steps are needed in the financial reporting procedures as a result of identified misstatements. Whereas the misstatements were not identified and corrected by CEPPS through its

normal processes prior to provision of the SPFS for audit, a control deficiency appears to exist that requires CEPPS's management to take action.

Management also indicated that CEPPS relies on its partners (i.e., NDI, IFES, and IRI) to identify financial reporting and accounting errors. We note that CEPPS, as the prime recipient, is responsible for compliance with the terms and conditions of federal awards. Accordingly, reliance on a subrecipient's controls in lieu of performing adequate due diligence would be contrary to internal control expectations communicated in 2 CFR Part 200.303 and financial management system requirements specific in 2 CFR Part 200.302 wherein CEPPS is required to have a system that provides for accurate, current, and complete disclosure of the financial results.

No revision to the finding is appropriate under the circumstances.

APPENDIX C – Budget to Actual Presentation by Joint Venture Partner (Unaudited)

The table below reflects the total budgeted award amount for the entire period of performance by joint venture partner as reflected in the cooperative agreement against the actual reported costs incurred during the period under audit.

	Budget			Actual		
	IFES	IRI	NDI	IFES	IRI	NDI
Revenues						
Cooperative Agreement No. 72030618LA00004	$ 3,089,000	$ 1,850,000	$ 13,314,000	$ 1,601,730	$ 329,314	$ 3,259,950
Total Revenue	$ 3,089,000	$ 1,850,000	$ 13,314,000	$ 1,601,730	$ 329,314	$ 3,259,950
Costs Incurred						
Personnel	$ 288,466	$ 302,866	$ 3,016,970	$ 173,231	$ 104,483	$ 1,053,721
Fringe Benefits	132,070	150,361	263,723	78,647	48,929	169,084
Travel	223,545	72,457	357,886	84,504	8,736	100,030
Equipment	-	-	28,000	-	-	-
Supplies	4,624	7,592	288,293	2,212	1,397	22,417
Contractual	1,134,415	730,834	344,120	849,902	71,461	49,817
Other Direct Costs	234,556	6,396	4,512,297	28,474	2,449	1,077,985
Security	499,400	278,700	1,756,858	-	18,215	152,183
Partner Indirect Costs	507,575	263,710	2,452,880	349,514	66,397	562,978
CEPPS Indirect Costs	64,349	37,084	292,973	35,246	7,247	71,735
Total Costs Incurred	$ 3,089,000	$ 1,850,000	$ 13,314,000	$ 1,601,730	$ 329,314	$ 3,259,950

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